

September 26, 2007

Ms. Mary Levine
Acting Director of Legal Affairs
Michigan State Housing Development Authority
735 East Michigan Avenue
Lansing, MI 48909

RE: PROPOSED 2008-2009 MICHIGAN QAP

Dear Ms. Levine:

I would like to take this opportunity to express my concerns about the proposed QAP. To summarize, many of the items listed within the draft do not correspond with prevailing market trends, do not match the ability of local organizations to develop affordable housing, and will ultimately have a negative impact upon Michigan's affordable housing industry and the economy as a whole.

As a market consultant with 20 years experience researching affordable housing trends within Michigan, I personally do not understand the direction of this QAP when prevailing market conditions are taken into consideration. Specially, these items include the following:

- While some local markets are underperforming both in terms of occupancy and demand potential, the QAP's lack of emphasis on preservation and workforce housing within previously neglected areas does not correspond with our recent experience. A shift toward more preservation proposals would improve the substandard condition of older affordable housing facilities, creating investment within individual communities while not adding to occupancy issues within weak markets;
- The proposed rural-urban designations do not correspond with federal designations, and have some surprising results. For example, the communities of Muskegon Heights and Benton Harbor have been declared rural communities, despite their presence within Metropolitan Statistical Areas. Conversely, many rural townships across the state, including Colfax Township within Huron County (where I was born and raised) is considered urban. I can assure you that such a designation does not make any sense, and many other similar nonsensical designations actually smack of Gerrymandering. If a question of what area should be designated urban or rural, I would suggest simply following federal standards, such as the Census Bureau or Rural Housing Service, both of which are much more consistent and logical than presented;
- The public has yet to see a targeting grid, so it has been difficult to determine the impact upon existing developments originally conceived under the prior QAP. As consultants we have no idea what to tell our clients from this standpoint if this new plan matches prevailing market conditions;

Some changes are welcome, including the slightly greater emphasis on activity within Detroit, Highland Park, and Hamtramck. However, the targeting of much of this activity within specific neighborhoods is unwarranted, and will create poorly structured proposals with limited economic and market viability, simply submitted to receive increased attention within the proposed QAP. The needs of low and very-low income families across the vast majority of Detroit are large enough that such a designation is not necessary.

From a processing standpoint, we are also concerned about the following items:

- The lack of a true “cure” period without any penalty;
- The lack of published updated market study guidelines;
- The lack of required site visits for each application;
- The proposal for a state-sponsored market study process. We are especially disappointed that this item is still under consideration by MSHDA. No one within the development community has asked for such a change, and most see such a move as an unnecessary intrusion into the private sector. It is impossible to fathom how the introduction of a government agency within the private sector’s due diligence process can be either beneficial, time-saving, or welcome. Furthermore, MSHDA already has the mechanisms in place to further regulate the market study process without this unwelcome intrusion (which are currently used for those builders, management firms, and architects that interact with MSHDA). I ask that MSHDA make the same choice that the NY State Housing Finance Agency recently made on this issue. They decided to leave market studies within the private sector, as they felt that such a move would inhibit communication and unnecessarily interfere with applicant.

As a consultant within the affordable housing industry, we have been aware of the reaction of various affordable housing segments. Many of the items within the QAP are perceived as advantageous to the nonprofit community, while for-profits developers see very little of interest. The status of our state’s current economy and long-term viability requires an active role for both non-profits and for-profits. I urge MSHDA to remove many of the disincentives that are objectionable to all segments of the development community. Regardless of what constituency is being served by an individual development, all of these applications are ultimately real estate transactions, all of which need to be fundamentally sound from a market standpoint as well as from a financial perspective. From our perspective, this soundness is in doubt with this QAP proposal, and I respectfully ask MSHDA to restore balance and incentives for all development segments.

We are active in many other states, but our core business has always been in Michigan. Due to our state's current economic condition we have seen a decline in Michigan activity by our outstate clients. Enacting the proposed QAP will guarantee continued declines, as well as force local developers to seek opportunities in neighboring states, or drop affordable housing entirely. Please consider the impact of all proposed changes, eliminate disincentives, and provide the opportunities for the affordable housing industry as a whole to stimulate our economy and provide a positive impact upon our neighborhoods and communities here in Michigan.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly J. Murdock", with a long horizontal flourish extending to the right.

Kelly J. Murdock
Managing Partner